

Annual Financial Statements

for

ULUNDI LOCAL MUNICIPALITY

for the year ended 30 June: **2012**

Province:

KwaZulu Natal

Contact Information:

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ULUNDI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June 2012

General information

Members of the Council

Councillor N.J. Manana (f)
Councillor W.M. Ntshangase (m)
Councillor H.J. Mlambo (m)

Councillor J.T. Gasa (m)
Councillor R.V. Sibiya (m)
Councillor L.N.Z. Buthelezi (f)
Councillor S.R. Shwala (m)
Councillor G.N. Mtshali (f)
Councillor K.P. Ngema (m)
Councillor M.S. Gcaba (m)

Ordinary Council Members

Councillor B.S. Khanyile (m)
Councillor F.L. Buthelezi (m)
Councillor H.M. Kubheka (m)
Councillor J.E. Xulu (m)
Councillor J.M. Khanyile (m)
Councillor J.S. Mhlongo (m)
Councillor K.J. Sibiya (m)
Councillor K.M. Sithole (m)
Councillor M. Mdlalose (m)
Councillor M.E. Buthelezi (m)
Councillor M.J. Luthuli (m)
Councillor M.M. Mpungose (m)
Councillor M.S. Buthelezi (m)
Councillor M.T. Gasa (m)
Councillor M.Z.B. Ndwandwe (m)
Councillor N.D. Masondo (m)
Councillor Prince N.M. Buthelezi (m)
Councillor V.P. Langa (m)

Her Worship the Mayor
Honourable Deputy Mayor
Honourable Speaker

Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee
Member of the Executive Committee

Councillor R.B. Nyawo (m)
Councillor S.M. Buthelezi (m)
Councillor S.N. Buthelezi (m)
Councillor S.P. Ximba (f)
Councillor S.V. Mdluli (m)
Councillor S.V. Ngcobo (m)
Councillor S.Z. Mkhize (m)
Councillor T.J. Manqele (f)
Councillor T.K. Mkhize (m)
Councillor T.L. Khumalo (f)
Councillor V.E. Zungu (m)
Councillor W.T. Ndebele (m)
Councillor Z. Siyaya (f)
Councillor Z.L. Buthelezi (m)
Councillor M.W. Sithole (m)
Councillor N.Z. Ncala (m)
Councillor P.M. Mthethwa (m)
Councillor S.F. Cindi (f)

Grading of Local Authority

Low Capacity

Auditors

Auditor-General South Africa

Bankers

First National Bank

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General information (continued)

Registered Office: Cnr Princess Magogo & King Zwelithini Roads, Ulundi

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Ulundi,
3838

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Ulundi
3838

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E-mail address: Info@ulundi.co.za

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Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages x to x, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 27 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

Municipal Manager: Princess SA Buthelezi

DATE

ULUNDI LOCAL MUNICIPALITY
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for the year ended 30 June 2012

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ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
STATEMENT OF FINANCIAL POSITION
as at 30 June 2012

	Note	2012	2011
ASSETS			
Current assets			
Cash and cash equivalents	1	1 047 420	497 667
Trade and other receivables from exchange transaction	2	70 061 396	72 412 444
Other receivables from non-exchange transactions	4	813 764	857 452
Inventories	5	977 010	1 281 200
Prepayments	6	-	279 244
Current portion of receivables	8	-	35 572
VAT receivable	14	4 109 736	3 368 742
Non-current assets			
Investments	7	140 000	140 000
Property, plant and equipment	9	268 855 272	471 388 966
Investment property	10	244 149 000	244 149 000
Total assets		590 153 598	794 410 287
LIABILITIES			
Current liabilities			
Trade and other payables from exchange transactions	11	52 803 603	42 792 206
Consumer deposits	12	1 485 904	1 369 288
VAT payable	13	-	-
Current provisions	15	666 544	635 408
Current portion of unspent conditional grants and receiv	16	11 917 003	5 216 037
Current portion of borrowings	18	-	540 420
Current portion of finance lease liability	19	285 948	270 031
Non-current liabilities			
Non-current borrowings	19	-	285 948
Total liabilities		67 159 002	51 109 338
Net assets		522 994 596	743 300 949
NET ASSETS			
Reserves		113 794 364	338 096 075
Accumulated surplus / (deficit)		409 200 232	405 204 874
Total net assets		522 994 596	743 300 949

ULUNDI LOCAL MUNICIPALITY

**STATEMENT OF FINANCIAL PERFORMANCE
for the year ending 30 June 2012**

	Note	2012	2011
Revenue			
Property rates	20	20 776 767	18 543 920
Property rates - penalties imposed and collection charge	20	8 017 621	7 865 654
Service charges	21	39 002 901	37 621 006
Rental of facilities and equipment	22	692 010	385 515
Interest earned - external investments	23	113 542	413 739
Fines		1 383 471	678 249
Licences and permits		2 282 460	1 638 240
Government grants and subsidies	24	92 101 509	84 810 628
Other income	25	3 173 686	4 380 298
Total Revenue		167 543 967	156 337 249
Expenses			
Employee related costs	26	58 467 193	51 090 040
Remuneration of councillors	27	10 443 449	9 080 984
Bad debts		224 475	-
Provision for Bad Debts			-
Depreciation and amortisation expense	28	68 436 370	66 532 535
Repairs and maintenance		5 672 567	5 774 136
Finance costs	29	71 072	106 921
Bulk purchases	30	44 916 039	33 897 823
Contracted services	31	20 717 637	16 503 250
Grants and subsidies paid			
General expenses	32	19 118 391	18 489 181
Total Expenses		228 067 193	201 474 870
Gain / (loss) on sale of assets	33	1 476 069	209 642
Change in Accounting Estimate	34	1 196 715	1 849 354
Profit / (loss) on fair value adjustment	35	-	-
Surplus / (deficit) for the period		(57 850 442)	(43 078 625)

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
STATEMENT OF CHANGES IN NET ASSETS
as at 30 June 2012

		Revaluation Reserve	Accumulated Surplus/(Deficit)	Total: Net Assets
Balance at 30 June	2011	338 096 075	412 029 689	750 125 764
Prior year expenditure adjustment			(492 272)	(492 272)
Debtore - MIG written back			(6 332 543)	(6 332 543)
Adjusted balance at 30 June 2011		338 096 075	405 204 874	743 300 949
Revaluation of assets		(162 455 911)		(162 455 911)
Transfer Depreciation on revalued assets		(61 845 801)	61 845 801	-
Surplus / (deficit) for the period			(57 850 442)	(57 850 442)
Balance at 30 June	2012	113 794 363	409 200 233	522 994 596

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
CASH FLOW STATEMENT
as at 30 June 2012

	Note	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Receipts from Customers		177 296 664	149 140 606
Cash paid to suppliers and employees		149 213 029	114 718 920
		28 083 635	34 421 686
Interest received		113 542	413 739
Interest paid		(71 072)	(37 903)
Net cash flows from operating activities	36	28 126 105	34 797 522
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets (PPE)		(28 358 585)	(37 049 231)
Proceeds from sale of fixed assets		1 476 069	509 642
Proceeds from sale of investments			
Purchase of intangibles			
Decrease/(Increase) in Loans and receivables			
Net cash flows from investing activities		(26 882 516)	(36 539 589)
CASH FLOWS FROM FINANCING ACTIVITIES			
Loans raises/ (repaid)			-
Increase/(decrease) in consumer deposits		116 616	109 400
Increase/(decrease) in bank overdraft			(99 596)
Repayment of finance lease liability		(270 032)	(384 068)
Decrease in long term liability		(540 420)	
Net cash flows from financing activities		(693 836)	(374 264)
Net increase / (decrease) in net cash and cash equivalents		549 753	(2 116 331)
Net cash and cash equivalents at beginning of period		497 667	2 613 997
Net cash and cash equivalents at end of period	37	1 047 420	497 666

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
for the year ending 30 June 2012

1 BASIS OF ACCOUNTING

1.1 BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise.

These annual financial statements have been prepared in accordance with Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below.

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

The accounting policies applied are consistent with those used to present the previous year's financial statements, unless explicitly stated. The details of any changes in accounting policies are explained in the relevant policy.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

1.4 COMPARATIVE INFORMATION

Budget information in accordance with GRAP 1 and 24, has been provided in an annexure to these financial statements and forms part of the audited annual financial statements.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been

1.5 STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

GRAP 8 Interest in Joint Ventures - issued August 2006
GRAP 18 Segment Reporting - issued March 2005
GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
GRAP 103 Heritage Assets - issued July 2008

The following standards, amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

IAS 19 Employee Benefits - effective 1 January 2009
IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009

2 PROPERTY, PLANT AND EQUIPMENT

2.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year. Items of property, plant and equipment are initially recognised as assets on acquisition date and are initially recorded at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 SUBSEQUENT MEASUREMENT - REVALUATION MODEL (LAND AND BUILDINGS)

Subsequent to initial recognition, land and buildings are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

2.3 SUBSEQUENT MEASUREMENT -REVALUATION MODEL (LAND, BUILDINGS, and other Infrastructure e

Subsequent to initial recognition, land, buildings, and other infrastructure assets are carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation is credited directly to a revaluation surplus reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

A decrease in the carrying amount of an asset as a result of a revaluation is recognised in surplus or deficit, except to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

Land is not depreciated as it is deemed to have an indefinite useful life.

2.4 DEPRECIATION AND IMPAIRMENT

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets *[or state other method used, e.g. production-unit- or diminishing balance method]*. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Infrastructure		Other	
Roads and Paving	10-20	Buildings	30.00
Pedestrian Malls	30.00	Air Conditioners	7.00
Electricity	25.00	Vehicles and tractors	7.00
Water	20.00	Office equipment	5.00
Sewerage	20.00	Furniture and fittings	10.00
		Watercraft	
		Machinery and Equipmnrny	7.00
Community		Tools	5.00
Buildings	30.00	Radio	5.00
Recreational Facilities	10.00	Computer equipment	3.00

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any

- 2.5 The municipality tests for impairment where there is an indication that an asset may be impaired. An Items of Property, plant and equipment are derecognised when the asset is disposed of or when there

3 INTANGIBLE ASSETS

3.1 INITIAL RECOGNITION

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

Intangible assets are initially recognised at cost.

Where an intangible asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test.

3.3 AMORTISATION AND IMPAIRMENT

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Computer software

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The municipality tests intangible assets with finite useful lives for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of an intangible asset is greater than the estimated recoverable amount (or recoverable service amount), it is written down immediately to its recoverable amount (or recoverable service amount) and an impairment loss is charged to the Statement of Financial Performance.

3.4 DERECOGNITION

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

3 INVESTMENT PROPERTY

3.1 INITIAL RECOGNITION

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations.

At initial recognition, the municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition.

The cost of self-constructed investment property is the cost at date of completion.

3.2 SUBSEQUENT MEASUREMENT - COST MODEL

Investment property is measured using the cost model. Under the cost model, investment property is carried at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives:

Investment property

3.3 SUBSEQUENT MEASUREMENT - FAIR VALUE MODEL

Investment property is measured using the fair value model. Under the fair value model, investment property is carried at its fair value at the reporting date. Any gain or loss arising from a change in the fair value of the property is included in surplus or deficit for the period in which it arises.

4 NON-CURRENT ASSETS HELD FOR SALE

4.1 INITIAL RECOGNITION

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

4.2 SUBSEQUENT MEASUREMENT

Non-current assets held for sale (or disposal group) are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

4 INVENTORIES

4.1 INITIAL RECOGNITION

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

Where inventory is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of the item on the date acquired.

4.2 SUBSEQUENT MEASUREMENT

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge, in which case they are measured at the lower of cost and current replacement cost. Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

In general, the basis of allocating cost to inventory items is the first-in, first-out method OR the weighted average method.

5 FINANCIAL INSTRUMENTS

5.1 INITIAL RECOGNITION

Financial instruments are initially recognised at fair value.

5.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

5.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorised as either held-to-maturity where the criteria for that categorisation are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

5.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

5.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities

6.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are

6 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

7 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

8 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

9 PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting date and adjusted to reflect the current best estimate. Where the effect is material, non-current provisions are discounted to their present value using a pre-tax discount rate that reflects the market's current assessment of the time value of money, adjusted for risks specific to the liability (for example in the case of obligations for the rehabilitation of land).

The municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

10 LEASES

10.1 MUNICIPALITY AS LESSEE

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or intangible assets subject to finance lease agreements are initially recognised at the lower of the asset's fair value and the present value of the minimum lease payments. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are accrued on a straight-line basis over the term of the relevant lease.

11 REVENUE

11.1 REVENUE FROM EXCHANGE TRANSACTIONS

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Service charges relating to electricity and water are based on consumption. Meters are read on a quarterly basis and are recognised as revenue when invoiced. Provisional estimates of consumption are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period.

Revenue from the sale of electricity prepaid meter cards is recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the recorded number of refuse containers per property.

Interest revenue is recognised on a time proportion basis.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

Dividends are recognised on the date that the Municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licences and permits.

Revenue from the sale of goods is recognised when substantially all the risks and rewards in those goods is passed to the consumer.

Revenue arising out of situations where the municipality acts as an agent on behalf of another entity (the principal) is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

11.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received, together with an estimate of spot fines and summonses that will be received based on past experience of amounts collected.

Revenue from public contributions and donations is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment qualifies for recognition and first becomes available for use by the municipality. Where public contributions have been received but the municipality has not met the related conditions, a deferred income (liability) is recognised.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment qualifies for recognition and become available for use by the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

11.3 GRANTS, TRANSFERS AND DONATIONS

Grants, transfers and donations received or receivable are recognised when the resources that have been transferred meet the criteria for recognition as an asset. A corresponding liability is raised to the extent that the grant, transfer or donation is conditional. The liability is transferred to revenue as and when the conditions attached to the grant are met. Grants without any conditions attached are recognised as revenue when the asset is recognised.

12 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are capitalised to the cost of that asset unless it is inappropriate to do so. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete. It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established. Borrowing costs incurred other than on qualifying assets are recognised as an expense in surplus or deficit when incurred.

13 CONSTRUCTION CONTRACTS AND RECEIVABLES

Where the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised by reference to the stage of completion of the contract activity at the reporting date, as measured by *[the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs OR surveys of work done OR completion of a physical proportion of the contract work]*.

Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent that contract costs incurred are recoverable. Contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

14 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also:

- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An impairment loss is recognised for cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 2012 2011

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand	1 000	1 000
Cash at bank	916 567	362 139
Call deposits	129 853	134 528
	<u>1 047 420</u>	<u>497 667</u>

Bank overdraft included in above		-
	<u>1 047 420</u>	<u>497 667</u>

The Municipality has the following bank accounts: -

Current Account (Primary Bank Account)

First National Bank - Ulundi: 62035267609

Cash book balance at beginning of year	352 166	(99 596)
Cash book balance at end of year	<u>911 567</u>	<u>352 166</u>
Bank statement balance at beginning of year	324 211	800 993
Bank statement balance at end of year	<u>461 917</u>	<u>324 211</u>

Current Account (Other Account)

First National Bank - Westville Branch: 6208925531

Cash book balance at beginning of year		-
Cash book balance at end of year	-	8 383
Bank statement balance at beginning of year		-
Bank statement balance at end of year	-	8 383

This account was opened to administer receipts and payments for

Current Account (Salaries)

First National Bank - Ulundi Branch: 62033637846

Cash book balance at beginning of year	1 590	9 650
Cash book balance at end of year	<u>5 000</u>	<u>1 590</u>
Bank statement balance at beginning of year	1 590	9 650
Bank statement balance at end of year	<u>5 000</u>	<u>1 590</u>

Credit Card account (Petrol purchases)

First National Bank - 8812710030007004 -

Short term deposits		
Deposits on call with banks	129 853	134 528

Cash on hand

	1 000	1 000
Total cash and cash equivalents	<u>1 047 420</u>	<u>497 667</u>

Total bank overdraft

Unutilised Conditional Grants must be ring fenced and separately invested. This was not implemented and amounts invested at year end were insufficient to cover the value of unspent conditional grants , as indicated hereunder:

Unutilised Conditional Grants	11 917 003	5 216 037
Amounts invested	<u>269 853</u>	<u>274 528</u>
Shortfall	<u>11 647 150</u>	<u>4 941 509</u>

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS			
Trade receivables	Gross	Provision for	
as at 30 June 2012	Balances	Doubtful Debts	Net Balance
Service debtors			
Service debtors	10 503 097	-	10 503 097
Rates	68 857 744	21 858 157.00	46 999 587
Other	21 166 214	8 607 502	12 558 712
Total	100 527 055	30 465 659	70 061 396
Other receivables			-
Other receivables	-	-	-
Total Trade and other receivables	100 527 055	30 465 659	70 061 396
as at 30 June 2011			
Service debtors			
Service debtors	35 016 424	13 934 863	21 081 561
Rates	69 058 393	17 727 510	51 330 883
Total	104 074 817	31 662 373	72 412 444
Other receivables	-	-	-
Other receivables	-	-	-
Total Trade and other receivables	104 074 817	31 662 373	72 412 444
Rates: Ageing			
Current (0 – 30 days)		2 085 022	1 845 872
31 - 60 Days		1 619 504	1 417 924
61 - 90 Days		1 331 995	1 315 144
91 - 120 Days		1 283 199	1 313 988
121 Days and over		62 538 024	63 165 464
Total		68 857 744	69 058 392
Electricity and other: Ageing			
Current (0 – 30 days)		1 329 513	1 136 092
31 - 60 Days		540 949	597 303
61 - 90 Days		401 384	286 393
91 - 120 Days		327 955	331 086
121 Days and over		29 069 510	34 141 789
Total		31 669 311	36 492 663
3 Reconciliation of the doubtful debt provision			
Balance at beginning of the year		31 662 373	33 511 857
Contributions to provision			
Doubtful debts written off against provision			
Reversal of provision		(1 196 714)	(1 849 354)
Balance at end of year		30 465 659	31 662 503

The outstanding property rates balance included an amount of R 19 533070 (2011 - R 17 727 510) in respect of the Ingonyama Trust Land. The recovery of these rates is uncertain and has been referred to Council to consider the write off thereof.

The provision for bad Debts relating to Rates , relates to the Land that was in the name of ITB , which is to be transfered back to the Municipality in terms the proclamation, therefore rates against these properties should have never been raised.

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
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Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2012, R 3 893 832- (2011: R 3 616 764-) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

1 month past due	31-60	2 160 453	2 015 227
2 months past due	61-90	1 733 379	1 601 537
3 months past due		3 893 832	3 616 764

No government debts have been provided for in the above amount.

Trade and other receivables impaired

As of 30 June 2012, trade and other receivables of R 93 267 484 were impaired and provided for.

The ageing of these receivables is as follows:

Past due 3 months		1 659 950	1 645 074
Over 3 months past due		91 607 534	97 307 253
		93 267 484	98 952 327

The fair value of trade and other receivables approximates their carrying amounts.

4 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

Other debtors		2 070 054	8 938 557
Total Other Debtors		2 070 054	8 938 557
Less: Provision for Doubtful Debts		1 256 290	1 256 290
		813 764	7 682 267

ULUNDI LOCAL MUNICIPALITY
Annual Financial Statements
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 2012 2011

5 INVENTORIES

Consumable stores - at cost	1 222 024	1 486 308
Provision for write off	(245 014)	(205 108)
Closing balance of inventories:	977 010	1 281 200

6 PREPAYMENTS

Prepaid expenses	279 244
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In the prior year Insurance relating to following financial year, were paid in the current year.

7 INVESTMENTS

Financial Instruments

Call deposits	140 000	140 000
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The New Republic Bank went into liquidation and was placed under curatorship. The value of this investment has been written down to its estimated net realisable value.

8 NON-CURRENT RECEIVABLES

Car loans	35 572
	35 572
Less : Current portion transferred to current receivables	(35 572)
Car loans	(35 572)
Total	-

CAR LOANS

These loans have been discontinued in accordance with the provisions of the MFMA. This balance related to an amount due by a former employee, and has subsequently been written off.

	ULUNDI LOCAL MUNICIPALITY						
	Annual Financial Statements						
	NOTES TO THE FINANCIAL STATEMENTS						
	for the year ended 30 June 2012						
9	PROPERTY, PLANT AND EQUIPMENT						
	Reconciliation of Carrying Value	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
		R	R	R	R	R	R
	as at 1 July 2011	112 402 149	354 100 842	3 342 584	876 257	666 217	471 388 049
	Cost/Revaluation	136 819 926	863 164 815	3 724 967	12 409 109	1 622 727	1 017 741 544
	Accumulated depreciation and impairment losses	(24 417 777)	(509 063 973)	(382 383)	(11 532 852)	(956 510)	(546 353 495)
	Acquisitions	875 328	26 535 551	548 120	399 584		28 358 583
	Capital under Construction						-
	Depreciation	(5 056 465)	(62 576 769)	(184 464)	(410 078)	(208 636)	(68 436 412)
	Revaluation adjustment		(162 455 911)				(162 455 911)
	Carrying value of disposals	-	-	-	-	-	-
	Cost/Revaluation				(951 078)		(951 078)
	Accumulated depreciation and impairment losses				951 078		951 078
	as at 30 June 2012	108 221 012	155 603 714	3 706 240	865 763	457 581	268 854 310
	Cost/Revaluation	137 695 254	727 244 455	4 273 087	11 857 615	1 622 727	882 693 138
	Accumulated depreciation and impairment losses	(29 474 242)	(571 640 742)	(566 847)	(10 991 852)	(1 165 146)	(613 838 829)
	Refer to Appendix B for more detail on property, plant and equipment		App B!A1				

	ULUNDI LOCAL MUNICIPALITY					
	NOTES TO THE FINANANCIAL STATEMENTS					
	for the year ended 30 June 2011					
	Buildings	Infrastructure	Community	Other Assets	Finance lease assets	Total
Reconciliation of Carrying Value						
	R	R	R	R	R	R
as at 1 July 2010	108 902 291	386 532 883	3 480 418	-	-	498 915 592
Cost/Revaluation	128 114 311	835 102 802	3 679 913			966 897 026
Accumulated depreciation and impairment losses	(19 212 020)	(448 569 919)	(199 495)			(467 981 434)
Acquisitions	-	70 401	-			70 401
Capital under Construction	8 705 615	27 991 612	45 054			36 742 281
Depreciation	(5 205 757)	(60 494 054)	(182 888)			(65 882 698)
as at 30 June 2011	112 402 149	354 100 842	3 342 584	876 257	666 217	471 388 050
Cost/Revaluation	136 819 926	863 164 815	3 724 967	12 409 109	1 622 727	1 017 741 544
Accumulated depreciation and impairment losses	(24 417 777)	(509 063 973)	(382 383)	(11 532 852)	(956 510)	(546 353 494)

**ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012**

	Note	2012	2011
10 INVESTMENT PROPERTY CARRIED AT FAIR VALUE			
Reconciliation of carrying value			
as at the beginning of the financial year		244 449 000	244 449 000
Revaluation of vacant land			
Sales recognised during the year ending 30 June 2011		(300 000)	(300 000)
as at 30 June 2012		244 149 000	244 149 000

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
11 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS			
Trade creditors		34 601 453	21 102 718
Payments received in advance		3 724 519	7 464 058
Retentions		1 572 017	3 825 629
Staff leave accrual		4 208 318	3 802 323
Deposits other		327 591	212 940
Land Sales Suspense		5 243 892	3 195 093
Unallocated receipts		264 533	
VAT accrual		2 651 280	3 189 445
Other payables		210 000	
Total creditors		52 803 603	42 792 206

The fair value of trade and other payables approximates their carrying amounts.

12 CONSUMER DEPOSITS

Electricity	1 485 904	1 369 288
	-	-
Total consumer deposits	1 485 904	1 369 288

13 VAT PAYABLE

VAT payable	-	-
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VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

14 VAT RECEIVABLE

VAT receivable	4 109 736	3 368 742
	4 109 736	3 368 742

VAT is payable on the receipts basis. VAT is paid over to SARS only once payment is received from debtors.

15 PROVISIONS

Performance bonus	666 544	635 408
	-	-
Total Provisions	666 544	635 408

Performance bonuses for Section 57 Employees were provided for as outlined in the "Performance Regulations" promogated by the Department of Provincial and Local Government on the 1st August 2006.

The movement in current provisions are reconciled as follows: -

as at 1 July 2011	635 408	360 356
Contributions to provision	31 136	275 052
Expenditure incurred	-	-
as at 30 June 2012	666 544	635 408

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
16 UNSPENT CONDITIONAL GRANTS AND RECEIPTS			
Unspent Conditional Grants from other spheres of Government		11 917 003	5 216 037
Total Unspent Conditional Grants and Receipts		11 917 003	5 216 037

See Note 31 for reconciliation of grants and receipts.
These amounts are invested in ring-fenced investment until utilised.

[Notes15-61\A291](#)

17 ACCUMULATED SURPLUS		
(Deficit) / Surplus for the year	(57 850 442)	(36 253 809)
Other accumulated surplus	467 050 675	448 283 500
	409 200 233	412 029 691
Government Grant Reserve		
Balance as at 30 June 2011	-	108 696 972
Capital grants used to finance Property, Plant, and Equipment		
Offsetting of Depreciation		
Transferred to Accumulated Surplus		(108 696 972)
Balance as at 30 June 2012	-	-
Capitalisation Reserve		
Balance as at 30 June 2010		7 672 587
Offsetting of Depreciation		
Transferred to Accumulated Surplus		(7 672 587)
Balance as at 30 June 2011	-	-
Other Accumulated Reserves		

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
18 BORROWINGS			
Local Registered Stock Loans			
Annuity Loans			
DBSA			540 420
		-	540 420
Less : Current portion transferred to current liabilities		-	(540 420)
Local Registered Stock Loans			
DBSA			(540 420)
Other borrowings			
Total borrowings		-	-
Refer to Appendix A for more detail on borrowings.	App A'A1		

19 FINANCE LEASE LIABILITY		2012	2011
Amounts payable under finance leases			
Within one year		285 948	270 031
Within two to five years		0	285 948
		285 948	555 979
Refer to Appendix A for more detail on Finance leases	App A'A1		

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
20 PROPERTY RATES			
<u>Actual</u>			
Residential		5 936 633	5 502 373
Commercial		5 076 052	4 564 708
Agriculture		1 789 390	1 630 834
Heavy Industries			
State		10 503 212	9 691 502
Total property rates		23 305 287	21 389 417
Rates Rebates		2 528 520	2 845 497
		20 776 767	18 543 920
Property rates - penalties imposed and collection charges		8 017 621	7 865 654
Total		28 794 388	26 409 574
<u>Valuations</u>			
Residential		515 589 000	522 186 001
Commercial		252 874 000	236 357 010
State		685 765 000	530 696 006
Agricultural		611 422 000	667 686 502
Non-Rateable		124 640 000	233 821 692
Municipal			
Total Property Valuations		2 190 290 000	2 190 747 211

Valuations on land and buildings are performed every four years. The latest valuation was completed on 1st January 2009, and came into effect on 1 July 2009.

A municipality must regularly, but at least once a year, update its valuation roll by causing-

- (a) a supplementary valuation roll to be prepared, if section 78 applies; or
- (b) the valuation roll to be amended, if section 79 applies.

78 Supplementary valuations

(1) A municipality must, whenever necessary, cause a supplementary valuation to be made in respect of any rateable property-

- (a) incorrectly omitted from the valuation roll;
- (b) included in a municipality after the last general valuation;
- (c) subdivided or consolidated after the last general valuation.

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
21 SERVICE CHARGES			
Sale of electricity		32 109 618	32 516 513
Refuse removal		4 679 556	4 525 350
Other		2 213 727	579 143
Total Service Charges		39 002 901	37 621 006
22 RENTAL OF FACILITIES AND EQUIPMENT			
Rental of facilities		692 010	385 515
Rental of equipment		-	-
Other rentals		-	-
Total rentals		692 010	385 515
23 INTEREST EARNED - EXTERNAL INVESTMENTS			
Bank		113 542	413 739
Financial assets			
Other			
Total interest		113 542	413 739

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
24 GOVERNMENT GRANTS AND SUBSIDIES			
Equitable share		68 274 000	56 600 644
Conditional Grants utilised		23 827 509	28 197 984
Other Government Grants and Subsidies			12 000
Total Government Grant and Subsidies		92 101 509	84 810 628
24.1 Equitable Share			
In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members. All registered indigents receive a 100 % monthly subsidy for rates which is funded from the grant.			
		68 274 000	56 600 644
24.2 MIG Grant			
Balance unspent at beginning of year			(3)
Current year receipts		22 011 000	18 300 000
Debtor 2011			6 332 543
Conditions met - transferred to revenue	Notes15-61!A	(20 522 167)	(24 632 540)
Conditions still to be met - remain liabilities		1 488 833	-
24.3 Other Government Grants and Subsidies			
Balance unspent at beginning of year		5 216 037	9 421 515
Current year receipts		9 224 952	9 176 039
Conditions met - transferred to revenue	Notes15-61!A	(4 012 818)	(13 381 518)
Conditions still to be met - remain liabilities		10 428 171	5 216 036

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
25 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS			
Other income			
Other income	Notes 15-61/A	48 195	686 371
VAT Recovery - Projects funded from Grant		3 125 491	3 693 927
Contribution shared services			
Total Other Income		3 173 686	4 380 298
26 EMPLOYEE RELATED COSTS			
		63 228 222	55 342 950
Employee related costs - Salaries and Wages		36 742 096	34 453 684
Employee related costs - Contributions for UIF, pensions and medical aids		12 081 001	9 982 607
Travel, motor car, accommodation, subsistence and other allowances		3 926 669	3 072 771
Housing benefits and allowances		137 953	129 485
Overtime payments		1 145 747	930 990
Performance and other bonuses		2 701 980	-
Other employee related costs		1 731 748	2 028 231
Employee Related Costs		58 467 193	50 597 768
There were no advances to employees / Loans to employees are set out in note 3.			
Remuneration of the Municipal Manager			
Annual Remuneration		690 112	618 494
Performance- and other bonuses		64 667	124 266
Travel, motor car, accommodation, subsistence and other allowances		226 159	226 159
Contributions to UIF, Medical and Pension Funds		8 431	43 042
Total		989 370	1 011 962
Remuneration of the Chief Finance Officer			
Annual Remuneration		606 840	463 863
Performance- and other bonuses		55 429	93 199
Travel, motor car, accommodation, subsistence and other allowances		88 009	90 509
Contributions to UIF, Medical and Pension Funds		1 497	117 418
Total		751 776	764 990
Remuneration of the Manager Corporate Services			
Annual Remuneration		606 840	471 285
Performance- and other bonuses		55 429	93 199
Travel, motor car, accommodation, subsistence and other allowances		128 235	90 509
Contributions to UIF, Medical and Pension Funds		1 497	117 418
Total		792 002	772 412

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
	Community Services	Protection Services	Technical Services
Remuneration of Individual Executive Directors			
2012			
Annual Remuneration	482 431	606 840	535 190
Performance- and other bonuses	55 429	41 572	48 501
Travel, motor car, accommodation, subsistence and other allowances	207 918	88 009	157 500
Contributions to UIF, Medical and Pension Funds	1 497	1 497	1 497
Total	747 276	737 918	742 688
	Community Services	Protection Services	Technical Services
2011			
Annual Remuneration	463 863	463 863	504 388
Performance- and other bonuses	93 199	93 199	
Travel, motor car, accommodation, subsistence and other allowances	90 509	90 509	160 000
Contributions to UIF, Medical and Pension Funds	117 418	117 418	1 452
Total	764 990	764 990	665 840
27 REMUNERATION OF COUNCILLORS			
Executive Mayor		623 892	562 859
Speaker		482 231	532 685
Executive Committee Members		292 059	463 023
Councillors		1 541 785	1 054 028
Councillors' contributions Skills Development		7 503 480	6 468 389
Councillors' allowances			
Total Councillors' Remuneration		10 443 449	9 080 984
In-kind Benefits			
The Executive Mayor, Deputy Mayor, Speaker and Executive Committee Members are provided with an office and secretarial support at the cost of the Council.			
28 DEPRECIATION AND AMORTISATION EXPENSE			
Depreciation - Finance lease assets		208 636	324 545
Property, plant and equipment		68 227 734	66 207 989
Total Depreciation and Amortisation		68 436 370	66 532 535
29 FINANCE COSTS			
External Interest		34 270	37 903
Finance lease interest		36 802	69 018
Total Interest paid		71 072	106 921
The Interest paid amount as disclosed relates to accrued interest on the DBSA Loan.			
30 BULK PURCHASES			
Electricity		44 916 039	33 897 823
Total Bulk Purchases		44 916 039	33 897 823
31 CONTRACTED SERVICES			
Contracted services for:			
Hire of equipment		888 175.61	945 098
Hire of Vehicles		4 091 297.01	3 544 874
Professional fees		1 041 643.60	1 602 135
Private Security Service		5 106 634.44	2 768 839
Refuse Removal contracts		5 305 380.82	4 141 770
Software and licenses		2 191 312.73	804 610
Grant expenditure- MPRA		249 278.48	118 427
Grant expenditure - MIG		34 298.25	

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
Grant expenditure - MSIG		1 149 226.13	447 772
Grant expenditure -MAP			2 073 715
Grant expenditure - Formalise Unit M		560 000.00	
Grant expenditure - Corridor development		100 389.86	
Grant expenditure- Sector plan			56 010
		20 717 637	16 503 250

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
32 GENERAL EXPENSES			
Included in general expenses are the following:-			
Accommodation		625 896	278 574
Advertising		205 414	316 897
Admin fees paid		660 735	
Admin fees recovered		(554 036)	
Ammunition		1 180	79 282
Arts and Culture		27 809	998
Audit fees - External		2 167 016	1 284 453
Audit fees - Internal		129 509	695 564
Bank charges		338 715	430 271
Cash handling fee		128 449	163 309
Cash shortages		1 866	800
Children holiday programme			859
Civic entertainment		8 919	
Commission : Sale pre-paid Electricity		631 096	420 660
Conference fees		31 758	26 665
Decorations			20 700
Delivery - Consumer accounts		73 438	80 645
Disaster relief		397 729	
Entertainment / Refreshments		342 742	497 277
Expendable tools		111 727	16 637
Fertilizer & Compost		2 482	53 571
Fixed asset register			350 000
Fuel and oil - machinery		35	35 249
Free basic Services - Electricity		573 182	188 086
Fruitless and wasteful expenses			67 589
Grant : FMG		1 406 790	1 085 877
Grant : LUMS		23 940	
Grant : MAP		50 000	
Grant : Skills Development		225 370	228 888
Grant: Tourism		87 928	
Hire of offices		51 978	84 746
HIV/AIDS Projects		96 763	299 012
Housing Grant Expenditure		44 500	
IDP projects		190 922	201 751
Indigent burials		937 341	1 009 389
Indigent relief		76 988	133 993
Insurance		296 375	541 372
Infrastructure Fixed asset project		62 576	
Legal expenses		439 384	314 361
LED projects		19 866	34 855
Library material		799	37 395
License fees		15 388	17 694
Local mayoral sports cup		560 104	460 691
Lost/Damaged library books			6 623
Mayoral functions		238 783	926 148
Medical examination fees		7 883	4 935
Membership fees		279 835	255 110
Official photographs		9 962	
Periodicals		1 495	7 437
Printing and stationery		1 203 222	1 281 951
Projects tourism		115 284	178 208
Programming		96	
Promotional material		131 519	148 884
Publicity		79 739	270 628
Quality Special projects/Grass cutting		51 071	378 540
Refuse bags		463 948	250 006
Refuse receptacles		568	
Repeater licence fee		36 666	
Small office equipment			97 170
Small tools		478	
Stamps and postage		8 084	12 232
Stocks and material		150 113	375 649
Stores shortages		39 906	143 028
Study aid - Staff		(25 212)	(29 306)
Sundries			116 006
Telephone cost		1 837 088	1 136 178
Training		238 650	221 172
Transport		1 869 181	1 392 476

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
Travel and subsistence		380 279	500 455
Trees and shrubs			14 481
Uniforms & overalls		628 952	145 550
Valuation costs		3 509	168 871
Ward committees		40 152	
Water charges		519 257	292 418
WCC		210 651	719 487
Weed killer programme			885
Weed killers and insecticides		4 560	
Youth Affairs		100 000	15 850
Other			
		19 118 391	18 489 181

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
33 GAIN / (LOSS) ON SALE OF ASSETS			
Investment property		901 614	199 842
Vehicles & Other Moveables		574 455	9 800
Total Gain / (Loss) on Sale of Assets		1 476 069	209 642
34 CHANGE IN ACCOUNTING ESTIMATE			
Reduction in the provision for doubtful debts		1 196 715	1 849 354
Total		1 196 715	1 849 354
35 PROFIT / (LOSS) ON FAIR VALUE ADJUSTMENT			
Investment property carried at fair value			
Total Profit / (Loss) on Fair Value Adjustment		-	-
36 CASH GENERATED BY OPERATIONS			
(Deficit)/ Surplus for the year		(57 850 442)	(36 253 809)
Adjustment for:-			
Prior year			(339 283)
Depreciation and amortisation		68 436 369	66 532 535
(Gain) / loss on sale of assets		(1 476 069)	(209 642)
Doubtful debt provision written back		(1 196 714)	(1 849 354)
Contributions to provisions - current			
Housing grants received/ Expenditure			
Finance costs		71 072	37 903
Interest earned		(113 542)	(413 739)
Fair value adjustments		-	-
Operating surplus before working capital changes:		7 870 674	27 504 610
(Increase)/decrease in inventories		304 190	(229 967)
(Increase)/decrease in trade receivables		3 547 762	(3 675 519)
(Increase)/decrease in other receivables		35 572	(6 809 982)
(Increase)/decrease in prepayments		279 244	11 581
Adjustment to provisions - current		31 136	275 052
(Increase)/decrease in VAT receivable		(740 994)	(2 641 527)
Increase/(decrease) in conditional grants and receipts		6 700 966	(4 205 477)
Increase/(decrease) in trade payables		10 011 397	24 192 916
Other liability			
Cash generated by/(utilised in) operations		28 039 947	34 421 687
37 CASH AND CASH EQUIVALENTS			
Cash and cash equivalents included in the cash flow statement comprise the following:			
Bank balances and cash		1 047 420	497 667
Bank overdrafts		-	-
Net cash and cash equivalents (net of bank overdrafts)		1 047 420	497 667
UNAUTHORISED, IRREGULAR, FRUITLESS AND			
38 WASTEFUL EXPENDITURE DISALLOWED			
38.1 Fruitless and wasteful expenditure			
Reconciliation of unauthorised fruitless and wasteful expenditure			
Opening balance		7 840 961	7 676 126
Unauthorised fruitless and wasteful expenditure current year		917 798	164 835
Approved by Council or condoned			
Transfer to receivables for recovery			
Unauthorised fruitless and wasteful expenditure awaiting authorisation		8 758 759	7 840 961
38.2 Irregular expenditure			
Reconciliation of irregular expenditure			
Opening balance			
Irregular expenditure current year			943 311

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
Condoned or written off by Council			
Transfer to receivables for recovery – not condoned			
Irregular expenditure awaiting condonement		-	943 311
38.3 Unauthorised expenditure			
Reconciliation of unauthorised expenditure			
Opening balance			
Unauthorised expenditure current year			
Depreciation			66 207 989
Bulk purchases			2 906 123
Contracted services			1 456 764
Approved by Council or condoned			
Transfer to receivables for recovery			
Unauthorised expenditure awaiting authorisation		-	70 570 876

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
ADDITIONAL DISCLOSURES IN TERMS OF			
39 MUNICIPAL FINANCE MANAGEMENT ACT			
39.1 Contributions to organised local government			
Opening balance			
Council subscriptions		(279 244)	(255 110)
Amount paid - current		279 244	255 110
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
39.2 Audit fees			
Opening balance		(2 167 016)	(1 284 453)
Current year audit fee			
Amount paid - current year		2 167 016	1 284 453
Amount paid - previous years			
Balance unpaid (included in payables)		-	-
39.3 VAT			
Opening balance		3 368 742	727 215
VAT due to SARS : Letter of Assessment - 2007 and 2008 periods			(339 283)
Revised opening balance			387 932
Current year output vat		(5 650 287)	(5 236 395)
Current year input vat		15 465 474	13 504 079
Amount paid current year		117 830	
Amount refunded by SARS - current		(9 192 023)	(5 286 874)
Amount due by SARS		4 109 736	3 368 742
VAT receivables and payables are shown in note 12. All VAT returns have been submitted by the due date throughout the year.			
39.4 PAYE and UIF			
Opening balance			
Current year payroll deductions		8 423 800	6 331 640
Amount paid - current year		(8 423 800)	(6 331 640)
Amount paid - previous years			
Balance unpaid (included in payables)		0	0

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
39.5 Pension and Medical Aid Deductions			
Opening balance			
Current year payroll deductions and Council Contributions		17 437 110	15 692 156
Amount paid - current year		(17 437 110)	(15 692 156)
Amount paid - previous years			
Balance unpaid (included in payables)		<u>-</u>	<u>(0)</u>

39.6 Councillor's arrear consumer accounts

	Total	Outstanding less than 90 days	Outstanding more than 90 days
The following Councillors had arrear accounts outstanding for more than 90 days as at: -			
as at 30 June 2012			
F L Buthelezi	8 709		8 709
Total Councillor Arrear Consumer Accounts	<u>8 709</u>	<u>-</u>	<u>8 709</u>

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

Note 2012 2011

40 CAPITAL COMMITMENTS

40.1 Commitments in respect of capital expenditure

- Approved and contracted for

	34 762 000	30 010 053
Infrastructure	26 762 000	22 010 053
Community	8 000 000	8 000 000
Heritage		
Other		

- Approved but not yet contracted for

	1 195 914	2 231 808
Infrastructure		
Community		
Heritage		
Other	1 195 914	2 231 808

Total

35 957 914	32 241 861
-------------------	-------------------

This expenditure will be financed from:

- External Loans
- Government Grants
- Own resources
- District Council Grants

34 762 000	30 010 053
1 195 914	2 231 808

35 957 914	32 241 861
-------------------	-------------------

40.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year
Greater than one year

Total

-	-
---	---

Operating Leases consists of the following:
Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years. No contingent rent is payable

**ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012**

Note 2012 2011

41 PENSION FUND INFORMATION

41.1 Defined contribution plan

Certain Councillors and employees belong to defined benefit retirement funds administered by the Natal Joint Municipal Pension Fund. These funds are subject to a triennial actuarial valuation. The last valuation was performed in 2009.

41.2 Retirement Fund

The Fund's Actuary confirmed that, at the valuation date,
- the Memorandum account was fully funded

- the Fund's liabilities for members exceeded the value of the assets, however, it was anticipated that the surcharge of 17 % of pensionable salaries, which currently applies, will enable the shortfall to be eliminated by July 2010.

CERTIFICATE AS ISSUED BY VALUATOR ACTUARY

We have reconciled the valuation data with the financial statements and performed a number of reasonableness tests to verify the correctness of the data. I am satisfied with the accuracy of the data for purposes of this valuation.

I am satisfied that the asset composition on the valuation date is appropriate to the nature of the liabilities.

The Fund self-insures its risk benefits. The lump sum element of these benefits is relatively small, with the major element comprising of annuity payments. I am satisfied that the self-reinsurance arrangement is appropriate for the Fund.

At the valuation date:

The Memorandum Account in respect of pensioners was fully funded;

Based on the valuation assumptions that applied in 2000, the Fund was fully funded.

However, based on the revised assumptions, the Fund's liabilities for the Members exceeded the value of the assets and an extension of the surcharge for another 5 years will be necessary to return the funding level of the Fund to 100%.

The position will be reviewed at the next interim valuation of the Fund as at 31 March 2010.

AR ELS (FASSA FIA) S HEYNEKE (FASSA FIA)

VALUATOR ACTUARY

In my capacity as valuator to the Fund and as an In my capacity as actuary and as an employee of Arthur Els & Associates employee of Arthur Els & Associates

02-Dec-09

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
42 CONTINGENT LIABILITY			
42.1 Claim for damages			
<p>The following matters are currently on the roll of the high court and as at balance sheet date the following amounts represent possible liabilities, they are an estimate from the Municipality's attorneys.</p>			
D.N. Nzimande on behalf of S.E. Nzimande vs Ulundi Municipality		6 000 000	2 300 000
G.M. Zondo on behalf of L.Z. Zondo vs Ulundi Municipality		3 000 000	100 000
<p>The Municipality is being sued by these ratepayers for damages arising from incidents relating to electric shock injuries sustained.</p>			
		9 000 000	2 400 000
<p>This matter will be arbitrated upon. It has not reached the arena of court. The current amount being claimed, for services rendered is in the region of R540 000-00. It is for the services of speed cameras and equipment supplied to Ulundi .</p>			
<p>Municipality is being sued. The basis of the action is that the Municipality failed to take delivery of motor vehicles that they ordered in terms of a tender process. The Municipality is alleging that the motor vehicles were returned, after the service provider failed to adhere to the specifications and a notice of cancellation was given.</p>			
		11 000 000	
<p>The arbitrator will find that the Municipality will have to pay the full amount outstanding together with costs. This will be estimated to be R500 000-00. (the claim plus costs)</p>			
		500 000	600 000
		20 500 000	3 000 000
43 RELATED PARTIES			
Compensation paid to members of key management			
Compensation paid to councillors			
<p>There were no related party transactions during the 2010/2011 financial year.</p>			

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

Note 2012 2011

44 EVENTS AFTER THE REPORTING DATE

There have been no events after the reporting date that require disclosure.

45 KEY SOURCES OF ESTIMATION UNCERTAINTY AND JUDGEMENTS

No areas have involved a significant degree of estimation, uncertainty or judgements made by management in applying the municipalities accounting policies and that have a material and significant affect on the amounts recognised in the financial statements.

46 DISTRIBUTION LOSSES

The municipality incurred distribution losses on Electricity amounting to approximately 24,503,480.69 units for the year ending 30 June 2010, this loss amounted to approximately . These losses are calculated as the difference between power supplies pur

Number of consumers (Residential and Commercial)

Units purchased (kwh)

Units sold (total)

Units lost in distribution

% Lost in distribution

Average Cost per unit purchased

TOTAL COST OF DISTRIBUTION LOSSES

79 267 728 75 574 919

44 012 720 44 749 682

35 255 008 30 825 237

44.48% 40.79%

R 0.4486 R 0.4486

R 15 816 896 R 13 829 513

47 RISK MANAGEMENT

47.1 Maximum credit risk exposure

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or consumer contract, leading to financial loss. The municipality is exposed to credit risk from its operating activities (primarily for trade receivables

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control ass

100 527 055 105 551 055

Credit risk from balances with banks and financial institutions is managed by the municipality's finance and management committee in accordance with the municipality's policy. Investments of surplus funds are made only with approved counterparties and with

Counterparty credit facilities are reviewed by MANCO on an annual basis , and may be updated throughout the year subject to approval by EXCO.

Financial assets exposed to credit risk at year end were as follows:

First National Bank Call Investments

269 853 134 528

These balances represent the maximum exposure to credit risk.

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

Note 2012 2011

47.2 Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

47.3 GOING CONCERN

These annual financial statements have been prepared on the assumption that the municipality will continue to operate as a going concern for at least the next 12 months.

Immediate indication of going concern problems include: Cash book overdraft ; Unspent conditional grants and consumer deposits not cash backed; disclosed operating deficit; and over spend on budget.

The physical bank account never went into overdraft, the un-presented cheques , were subsequently covered by deposits.

As disclosed in note 1 , the unspent grants and consumer deposits were not cash backed. The main reason for this was due to collection challenges experienced with a number of major clients, and legal proceedings have been commenced on collection.

Unspent Grants balance

11 917 002 5 216 036

Consumer Deposits - Electricity

1 485 904 1 369 288

13 402 906 6 585 324

47.4 Interest rate risk

As the municipality has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

48 COMPARISON WITH THE BUDGET

The comparison of the Municipality's actual financial performance with that budgeted is set out in Annexures E(1) and E(2)

Correction of prior period error

49 Financial Statements

During the current financial year, the Municipality corrected errors in the previous year's financial statements. The comparative amounts have been appropriately restated as follows:

Statement of Financial Performance

Employee related costs previously disclosed

50 597 768

Adjustment - these costs previously understated

492 272

Revised employee related costs

51 090 040

Government grants and subsidies previously disclosed

91 143 172

Adjustment - MIG overstated

-6 332 543

Revised Government Grants and Subsidies

84 810 629

Statement of Financial Position

Other receivables from non-exchange transactions - previously disclosed

7 682 267

Adjustment - employee related costs previously included under receivables

-492 272

Adjustment - MIG overstated

-6 332 543

Revised - Other receivables from non-exchange transactions

857 452

ULUNDI LOCAL MUNICIPALITY
NOTES TO THE FINANANCIAL STATEMENTS
for the year ended 30 June 2012

	Note	2012	2011
Accumulated Surplus - previously disclosed			412 029 688
Adjustment - employee costs previously understated			-492 272
Adjustment - MIG overstated			-6 332 543
			<u>405 204 873</u>

ULUNDI LOCAL MUNICIPALITY
APPENDIX A
SCHEDULE OF EXTERNAL LOANS
as at 30 June 2012

EXTERNAL LOANS

	Balance at 30 June 2011	Redeemed / written off during the period	Capital Balance at 30 June 2012
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LONG-TERM LOANS

Development Bank	540 420	540 420	-
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TOTAL EXTERNAL LOANS	540 420	540 420	-
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FINANCE LEASE LIABILITY

	Capital Balance 30 June 2011	Capital reduction during the year	Interest paid for the year	Capital Balance at 30 June 2012
--	---	--	---------------------------------------	--

NKU 3923	50 975	29 667	3 384	21 308
NKU 3495	15 396	15 396	290	0
NKU 3570	99 111	33 828	7 418	65 283
NKU 4383	70 248	40 883	4 663	29 365
NKU 4716	207 090	57 422	16 308	149 668
NKU 4250	58 337	38 013	3 708	20 324
NKU 1238	12 015	12 015	226	0
NKU 2580	12 015	12 015	226	0
NKU 3718	15 396	15 396	290	0
NKU 3719	15 396	15 396	290	0

TOTAL	555 979	270 031	36 802	285 948
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ULUNDI LOCAL MUNICIPALITY											
APPENDIX B											
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT											
as at 30 June 2012											
	Cost / Revaluation						Accumulated Depreciation				
	Opening Balance	Revaluation Adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Carrying Value
	R		R	R	R	R	R	R	R	R	R
Buildings	136 819 926	(7 355 940)	875 328			130 339 314	(24 417 777)	(5 056 465)		(29 474 242)	100 865 072
Infrastructure											
Roads	674 168 820	(141 360 223)	9 118 298			541 926 895	(395 552 803)	(54 700 002)		(450 252 805)	91 674 090
Sewerage Mains & Purifica	98 282					98 282	(98 282)			(98 282)	-
Electricity Mains	188 621 609	(13 241 120)	17 920 319			193 300 808	(112 219 675)	(7 867 980)		(120 087 655)	73 213 153
Electricity Peak Load Equip	242 520	(21 827)				220 693	(129 812)	(7 276)		(137 088)	83 605
Storm Water	33 584	(5 084)				28 500	(1 063 401)	(1 511)		(1 064 912)	(1 036 412)
Under construction	-					-	-			-	-
	863 164 815	(154 628 254)	27 038 617	-	-	735 575 178	(509 063 973)	(62 576 769)	-	(571 640 742)	163 934 436
Community Assets											
Cemeteries	3 724 967	(471 717)	45 054			3 298 304	(382 383)	(184 464)		(566 847)	2 731 457
	3 724 967	(471 717)	45 054	-	-	3 298 304	(382 383)	(184 464)	-	(566 847)	2 731 457
Other Assets											
Office Equipment	2 376 035		62 207	(23 851)		2 414 391	(2 029 136)	(76 842)	23 851	(2 082 127)	332 264
Furniture & Fittings	-					-	-			-	-
Bins and Containers						-				-	-
Machinery Equipment	3 672 137		122 000	(526 316)		3 267 821	(3 276 360)	(48 479)	526 316	(2 798 523)	469 298
Motor vehicles	3 276 680			(400 911)		2 875 769	(3 276 504)	(144)	400 911	(2 875 737)	32
Fire engines	-					-	-			-	-
Refuse tankers						-				-	-
Computer Equipment	3 084 257		215 377			3 299 634	(2 949 890)	(284 613)		(3 234 503)	65 131
Other Assets	-					-				-	-
						-				-	-
	12 409 109	-	399 584	(951 078)	-	11 857 615	(11 531 890)	(410 078)	951 078	(10 990 890)	866 725
Finance Lease Assets											
Office Equipment											
Other Assets	1 622 727					1 622 727	(956 510)	(208 636)		(1 165 146)	457 581
	1 622 727	-	-	-	-	1 622 727	(956 510)	(208 636)	-	(1 165 146)	457 581
Total	1 017 741 544	(162 455 911)	28 358 583	(951 078)	-	882 693 138	(546 352 532)	(68 436 412)	951 078	(613 837 866)	268 855 272

ULUNDI LOCAL MUNICIPALITY											
APPENDIX B											
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT											
as at 30 June 2011											
	Cost / Revaluation						Accumulated Depreciation				
	Opening Balance		Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Depreciation	Disposals	Closing Balance	Carrying Value
	R		R	R	R	R	R	R	R	R	R
Buildings	128 114 311				8 705 615	136 819 926	(19 212 020)	(5 205 757)		(24 417 777)	112 402 149
Infrastructure											
Roads	646 177 207				19 285 034	665 462 241	(344 481 881)	(51 070 922)		(395 552 803)	269 909 438
Sewerage Mains & Purifica	98 282					98 282	(98 282)			(98 282)	-
Electricity Mains	188 551 209		70 401		8 706 578	197 328 188	(103 855 966)	(8 363 709)		(112 219 675)	85 108 513
Electricity Peak Load Equip	242 520					242 520	(129 812)			(129 812)	112 708
Storm Water	33 584					33 584	(3 978)	(1 059 423)		(1 063 401)	(1 029 817)
Under construction	-					-				-	-
	835 102 802		70 401	-	27 991 612	863 164 815	(448 569 919)	(60 494 054)	-	(509 063 973)	354 100 842
Community Assets											
Cemeteries	3 679 913				45 054	3 724 967	(199 495)	(182 888)		(382 383)	3 342 584
	3 679 913		-	-	45 054	3 724 967	(199 495)	(182 888)	-	(382 383)	3 342 584
Other Assets											
Office Equipment	-					-	-			-	-
Furniture & Fittings	2 191 991		158 448			2 350 439	(1 984 634)	(44 502)		(2 029 136)	321 303
Bins and Containers	-					-	-			-	-
Machinery Equipment	3 647 924		49 809			3 697 733	(3 570 521)	(24 235)		(3 594 757)	102 976
Motor vehicles	3 276 680					3 276 680	(3 276 360)			(3 276 360)	320
Fire engines	-					-	-			-	-
Refuse tankers	-					-	-			-	-
Computer Equipment	3 056 882		27 375			3 084 257	(2 376 046)	(252 608)		(2 628 654)	455 602
Other Assets	-					-	-	(144)		(144)	(144)
						-		(3 801)		(3 801)	(3 801)
	12 173 477		235 632	-	-	12 409 109	(11 207 561)	(325 291)	-	(11 532 852)	876 257
Finance Lease Assets											
Office Equipment											
Other Assets						1 622 727				(956 510)	666 217
	-		-	-	-	-	-	-	-	-	-
Total	979 070 503		306 032	-	36 742 281	1 017 741 544	(479 188 995)	(66 207 989)	-	(546 353 494)	471 388 050

ULUNDI LOCAL MUNICIPALITY
APPENDIX C
SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
as at 30 June 2012

	Cost / Revaluation					Accumulated Depreciation				Carrying value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	
Executive & Council										
Finance & Admin										
Planning & Development										
Health										
Community & Social Services										
Public Safety										
Sport & Recreation										
Environmental Protection										
Waste Management										
Road Transport										
Water										
Electricity										
Other										
Total	-	-	-	-	-	-	-	-	-	-

ULUNDI LOCAL MUNICIPALITY
APPENDIX D
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
for the year ended 30 June 2012

2011			2012		
Actual Income	Actual Expenditure	Surplus / (Deficit)	Actual Income	Actual Expenditure	Surplus / (Deficit)
R'000	R'000	R'000	R'000	R'000	R'000
43 303 789	31 343 689	11 960 100	33 232 032	39 582 675	(6 350 643)
76 357 465	11 645 365	64 712 100	96 128 517	20 764 736	75 363 781
1 014 777	4 287 661	(3 272 884)	1 503 826	3 654 578	(2 150 752)
		-			-
37 975	6 709 614	(6 671 639)	1 290 010	7 304 526	(6 014 516)
2 316 108	11 291 985	(8 975 877)	3 664 498	15 126 585	(11 462 087)
75 444	5 226 135	(5 150 691)	92 716	3 941 033	(3 848 317)
-	457 169	(457 169)		520 489	(520 489)
4 525 350	4 564 804	(39 454)	4 679 556	7 303 680	(2 624 124)
-	68 056 973	(68 056 973)		67 168 077	(67 168 077)
		-			-
35 248 527	49 506 044	(14 257 517)	44 500	44 500	-
	6 103 328	(6 103 328)	32 109 618	63 493 015	(31 383 397)
				1 691 822	(1 691 822)
162 879 435	199 192 767	(36 313 332)	172 745 273	230 595 716	(57 850 443)
			Less: Inter-Department Charges		
162 879 435	199 192 767	(36 313 332)	172 745 273	230 595 716	(57 850 443)
			Total		
162 879 435	199 192 767	(36 313 332)	172 745 273	230 595 716	(57 850 443)

Ulundi Municipality

APPENDIX E (1)

ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2012

2012

	Original Budget R	Approved adjustment budget	Revised Budget	Actual R	Variance R	Variance %
REVENUE						
Property rates	16 830 000	-5 100 000	11 730 000	20 776 767	9 046 767	77%
Rates penalties and collection charges	900 000	0	900 000	8 017 621	7 117 621	791%
Service charges	63 019 500	0	63 019 500	39 002 901	(24 016 599)	-38%
Rental of facilities and equipment	710 000	0	710 000	692 010	(17 990)	-3%
Interest earned - external investments				113 542	113 542	
Fines	7 902 500	-2 600 000	5 302 500	1 383 471	(3 919 029)	-74%
Licences and permits				2 282 460	2 282 460	
Government grants and subsidies	101 313 000	0	101 313 000	92 101 509	(9 211 491)	-9%
Other income				3 173 686	3 173 686	
Gain on disposal of property, plant and equipment	3 700 000	0	3 700 000	1 476 069	(2 223 931)	-60%
Total Revenue	194 375 000	(7 700 000)	186 675 000	169 020 036	(17 654 964)	-9%
EXPENDITURE						
Employee related costs	55 439 517	-115 333	55 324 184	58 467 193	3 143 009	6%
Remuneration of Councillors	10 212 956	0	10 212 956	10 443 449	230 493	2%
Bad Debts write off				224 475	224 475	
Provision for Bad debts					-	
Depreciation				68 436 370	68 436 370	
Repairs and maintenance	8 168 450	1 339 000	9 507 450	5 672 567	(3 834 883)	-40%
Interest paid				71 072	71 072	
Bulk purchases	35 650 000	12 000 000	47 650 000	44 916 039	(2 733 961)	-6%
Contracted services	47 063 048	-3 836 353	43 226 695	20 518 455	(22 708 240)	-53%
General expenses	35 489 217	-6 224 342	29 264 875	19 317 573	(9 947 302)	-34%
Total Expenditure	192 023 188	3 162 972	195 186 160	228 067 193	32 881 033	17%
Surplus (Deficit) for the year	2 351 812	(10 862 972)	(8 511 160)	(59 047 157)	(50 535 997)	
Change in Accounting Estimate				1 196 715		
Adjusted Surplus(Deficit) for the period	2 351 812			(57 850 442)		

Explanation of
significant variances
greater than 10 %
versus budget

Ulundi Municipality

APPENDIX E (2)

ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30

		2011	
	Additions R	Under Construction R	Total Additions R
			Budgeted Additions R
Buildings	875 328		875 328
Infrastructure			
Roads	9 118 298		21 290 961
Electrical Infrastructures	17 920 319		8 000 000
Cemeteries			-
	27 038 617	-	27 038 617
Community Assets			
Recreational facilities	45 054		
Tourism Hub	-	-	-
Production Centre	-	-	-
	45 054	-	-
Other Assets			
Office & Computer Equipment	277 584		277 584
Security equipment	122 000		122 000
Furniture and fittings			-
Machinery and equipment			-
Vehicles			-
	399 584	-	399 584
Total	28 358 583	-	28 313 529
			32 242 808

JUNE 2012

Variance
155 289
(12 172 663)
9 920 319
-
(2 252 344)
-
-
-
277 584
122 000
-
-
-
(1 832 224)
-
(3 929 279)

APPENDIX F
ULUNDI MUNICIPALITY: DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003
FOR THE YEAR ENDED 30 JUNE 2012

Description	Unspent balance at 30 June 2011	Adjustment 2011/2012	Received 2011/2012	Expenditure 2011/2012	Transfer 2011/2012	Unspent balance at 30 June 2012	Grants delayed/ withheld	Reason for delaying/ withholdin g funds	Compliance with grant conditions
	R	R	R	R	R	R	R		
NER Electricity	0					0	N/A		YES
Indigent Support	0					0	N/A		YES
Management Assistance Program	50 000			50 000		0	N/A		YES
Skills Development	189 053		174 952	225 370		138 635	N/A		YES
Finance Management	0					0	N/A		YES
Development Planning	191 559					191 559	N/A		YES
Tourism	154 509		50 000	87 927		116 582	N/A		YES
Sector plan	181 737					181 737	N/A		YES
LUMS	72 117			23 940		48 177	N/A		YES
Housing plan	36 172					36 172	N/A		YES
Anti corruption	8 474					8 474	N/A		YES
Library equipment	5 461					5 461	N/A		YES
MFMA implementation	104 513					104 513	N/A		YES
Dev inform. System (GIS)	15 934					15 934	N/A		YES
Inter dept. monitoring	63 780					63 780	N/A		YES
MSIG	197 680		1 000 000	1 197 680		0	N/A		YES
Strategic planning	4 362					4 362	N/A		YES
Community development workers	0					0	N/A		YES
MDIS support	125 000					125 000	N/A		YES
Performance Management	42 864					42 864	N/A		YES
MDPCB	80 000					80 000	N/A		YES
Capacity building	234 500					234 500	N/A		YES
Valuation roll	0					0	N/A		YES
Human resources policies	29 698					29 698	N/A		YES
Govt. structures and human resources	0					0	N/A		YES
MIG	0		22 011 000	20 522 167		1 488 833	N/A		YES
Investment Plan	200 000					200 000	N/A		YES
Unit M	560 000			560 000		0	N/A		YES
REDS	150 000					150 000	N/A		YES
H V Cable Tester	460					460	N/A		YES
Basic bookkeeping training	1 212					1 212	N/A		YES
Parallel feeders	-492					-492	N/A		YES
Sportsfields	77 036					77 036	N/A		YES
ZDM corridor development	635 965			100 390		535 575	N/A		YES
Electricity supply to households	401 427		8 000 000	390 880		8 010 547	N/A		YES
Implementation of municipal governance	26 384					26 384	N/A		YES
Taxi Rank	950 080			950 080		0			YES
Arts and Culture	382 051			382 051		0			YES
Housing - Ekushumayeleni	44 500			44 500		0			
	5 216 035	0	31 235 952	24 534 985	0	11 917 002			